

CONFIDENTIAL FIUNG

Mv. Speake's Official Entertainment

PARLIAMENT

March 1989.

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
6.3.89.							
PREM 19/2795							



10 DOWNING STREET  
LONDON SW1A 2AA

*From the Principal Private Secretary*

6 March 1989

**MR. SPEAKER'S OFFICIAL ENTERTAINMENT**

The Prime Minister has seen the Chief Secretary's minute of 1 March. She was content with the proposals to restructure The Speaker's entertainment allowances.

I am copying this letter to Steven Catling (Lord President's Office) and to Sir Robin Butler.

(ANDREW TURNBULL)

Miss Carys Evans,  
Chief Secretary's Office,  
H.M. Treasury.

to

R2/3 Prime Minister  
Agree this is a  
sensible arrangement?  
AT



FROM: CHIEF SECRETARY  
DATE: | March 1989

2/3

PRIME MINISTER

Yes Mr

MR SPEAKER'S OFFICIAL ENTERTAINMENT

Mr Speaker has approached the Lord President and myself because he would like to rationalise his official entertainment allowances, whereby instead of receiving monies from the House of Commons Commission Vote, a tax-free element of salary, and occasional discounts from the Refreshment Department, he would forgo any tax-free element of salary and transfer the full cost of his official entertainment to the Commission Vote, thus paying full price for all functions from the Refreshment Department. If we are content, he will put his proposals before the Commission in the form of the attached draft paper for consideration.

...

2. I think the proposal makes sense, and would be glad of your concurrence.

3. The Speaker is currently paid a salary of £36,209 from the Consolidated Fund, of which £14,000 is tax-free under Section 199 of the Income and Corporation Taxes Act 1988, in recognition of expenses incurred wholly, exclusively and necessarily in the performance of his duties. Between 1965 and 1979 the Speaker received the same salary as a Cabinet Minister, but since 1980 he has enjoyed a slight salary lead.

4. The tax-free element of his salary has been determined by the Treasury as a cash sum since 1965. The tax-free element was last increased (to £14,000) in 1984. In the past few years, a typical year's expenses on official entertainment has been around £20,450. There is specific provision in the Commission Vote for £6,000 of this, which leaves Mr Speaker with over £14,000 to fund. He has therefore been finding just over £8,000 from his own salary, given that £5,600 is funded from the tax saving.

5. The Speaker has informed us there will be no change in the nature or extent of his entertainment and that the measures are simply designed to put its regulation onto a more appropriate footing, as Departmental Ministers' entertainment expenses are indeed already based. The present situation is full of ambiguities, with which Mr Speaker is increasingly uncomfortable. While the present Speaker has a private income, and is therefore prepared to fund himself what is, in effect, official entertainment, it would be wrong to lay that burden on a future Speaker without such resources. It seems reasonable to make this change now without any overt publicity, rather than at a later date when it might be seen to be done for the financial convenience of a new Speaker. As a quid pro quo, it would be natural to re-establish earlier practice, and link Mr Speaker's salary directly to that of a Cabinet Minister. All of it will be taxable. We have accordingly agreed informally with the current Speaker that he will choose to accept the lesser salary. In time, we would include this in a future Ministerial and other Salaries Order for future Speakers.

6. The proposal allows proper transparency and audit; it gives the House of Commons Commission complete control of expenditure of which it currently controls only part, and it is a step forward towards a proper commercial attitude on the part of the Refreshment Department. It would also relieve the Treasury of the need to adjust the level of the tax free allowance from time to time.

7. While the Commission Vote is entirely a matter for the House, I am informed that no increase is envisaged on that Vote as a whole as a result of the proposals. If you are content, we will so inform the Speaker. This will enable him to circulate his paper to the Commission who will in turn discuss it at their next meeting. It is entirely a matter for the Commission to endorse. We understand there will be no overt publicity, although there would be no great harm if word were to get about. The Treasury will inform the Inland Revenue that all the Speaker's salary falls to be taxed in the normal way.

8. I am copying this minute to the Lord President who concurs with the above advice, and to Sir Robin Butler.



JOHN MAJOR

## MR SPEAKER'S OFFICIAL ENTERTAINMENT

### Note by Mr Speaker's Secretary

This note, submitted with Mr Speaker's authority, describes the present arrangements for meeting the costs of the Speaker's official entertainment. It suggests that the time has come to put them on to a more satisfactory footing.

#### Background

2. A large number of functions (mainly dinners and receptions), at which the Speaker is host, are held in Speaker's House of which the costs are met by an outside sponsoring body. These are mainly functions related in some way to the Speaker's Parliamentary or constituency connections. Typical examples would be a dinner for a visiting Speaker (met by the FCO) or for a visiting IPU Delegation (met by the IPU). The existing arrangements for meeting the costs of functions of this sort are satisfactory and they are not the subject of this note.

3. However, there is a significant amount of other entertainment which the Speaker undertakes entirely by virtue of his office. It is the arrangements for meeting the costs of these functions, as they have grown up over the years, which the Speaker considers should now be reviewed by the Commission, and, if the Commission agrees, put on a more regular basis.

#### The Present Arrangements

4. At present, the cost of this entertainment is covered in various ways. For some functions, the costs are met directly from the amount provided in the Estimates for the Speaker's entertainment (currently £6,000). Some functions are in effect subsidised, since the Refreshment Department does not charge for them at full cost. In addition, part of the Speaker's salary is tax-free because of the expenditure which he necessarily incurs in the performance of the duties of his office. (The

amount is not related entirely to the Speaker's expenditure on entertainment; this is the main element, but part is attributable to the cost of his house-keeper, since the Speaker's accommodation is used to some extent for official purposes).

5. These arrangements have the following disadvantages:
- (i) they do not represent a policy decision by the Commission as to the amount which should be spent on the Speaker's official entertainment;
  - (ii) the true cost of the Speaker's official entertainment does not appear on the face of the Estimates nor in the Accounts;
  - (iii) the Speaker has had, in effect, to negotiate a concessionary rate with the Refreshment Department for some of his official entertainment;
  - (iv) the tax-free element of the Speaker's salary is determined by the Government (the Treasury or the Inland Revenue) in accordance with their own rules, which were not designed to recognise the Parliamentary situation.

The present position is unsatisfactory from the point of view of public accountability and it is unseemly that any Speaker should have to negotiate discounts with the Refreshment Department or tax allowances with the Government in order to meet any of the expenses which he incurs by virtue of his office.

#### Proposal

6. To remedy this situation, the Speaker would propose that:-
- (i) full provision for the costs of the Speaker's official entertainment expenses should be made in the Estimates under sub-head A.1 (Office of the Speaker);

- (ii) when this is done the Speaker's official entertainment should be charged at full cost;
- (iii) at the same time the Speaker's salary should be fully taxable.\*

It should, perhaps, be made clear that it is not proposed that any allowance for entertainment should be paid to Mr Speaker himself; the proposal is that the costs of the Speaker's entertainment should be met from the provision in the Estimates, as they are actually incurred. Expenditure would be authorised on my authority as Head of the Office (in consultation with the Accountant as necessary) although ultimate responsibility would, of course, rest with the Accounting Officer and the Speaker. Nor is it proposed that there should be any change in the nature or extent of the Speaker's entertainment; the proposal is simply to put its regulation on to a more appropriate footing.

7. If the Commission endorses the above proposals in principle, the Speaker would propose that the implications of proceeding in this way should be pursued with the Treasury. Subject to the timing and outcome of those discussions, it might be possible for an appropriate amount to be included in the 1989/90 Estimates; failing that, the aim would be to make the provision in the 1990/91 Estimates.

8. The Annexe to this paper illustrates the sort of expenditure which would be covered by the proposed arrangements.

P J Kitcatt

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\*It would be logical, if these proposals are agreed, for the Commission to approve a contribution towards the cost of the Speaker's house-keeper - see para 4 above.

MR SPEAKER'S OFFICIAL ENTERTAINMENT

In a typical year, the Speaker might undertake the following official entertainment for which the full costs would be as shown below:-

	£
(i) 10 major dinners (mainly for Members) @ approx £1,500	15,000
(ii) 5 minor dinners @ approx £750	3,750
(iii) Reception for State Opening	1,200
(iv) Drinks for Ambassadors etc	100
(v) Drinks for Members	400
	<hr/> £20,450 <hr/>

For Members' dinners, the Speaker's objective is that each Member and his or her spouse should dine with Mrs Weatherill and himself at least once. These dinners are popular and are intended, because of the opportunities they afford to Members to meet the Speaker and one another socially and privately, to make a contribution to the smooth running of the House. The Speaker sometimes takes the opportunity to include non-Members to whom he "owes" return official hospitality. The "minor" dinners also afford an opportunity to return hospitality or to thank an Ambassador or High Commissioner who have helped with the arrangements for an overseas visit, and their staff. Drinks are given to Ambassadors when, as frequently happens, they pay a courtesy call on the Speaker at lunch-time on taking up or relinquishing their appointment in the UK. Two drinks parties were arranged after the last General Election for new Members to meet the Speaker and one another, and a further party was given for Members retiring from the House. Clearly these would not normally be annual functions, but they would recur, even if only after each General Election. The Speaker also gives small parties for senior members of the staff of the House on their retirement.

SALARY OF THE SPEAKER OF THE HOUSE OF COMMONS 1832 to date

	Speaker Salary (1)	Tax free element (2)	Reduced Parliamentary Salary (3)	<u>Total</u>
	£	£	£	
1832	6000	6000	-	6000
1834 (4)	5000	4000	-	5000
1.10.1931 (5)	4000	3200	-	4000
1. 7.1934 (5)	4500	3600	-	4500
1. 7.1955	5000	4000	750	5750
1965	8500 (6)	4000	1250	9760
1972	13000 (6)	4000	3000	16000
1975 (7)	13000 (6)	4000	3700	16700
1976	13000 (6)	4000	3700	16700
1977	13000 (6)	6500	3908	16908
1978	14300 (6)	6500	4299	18599
1979	19650 (6)	7000	5650	25300
1980	24500	11000	7670	32170
1981	29150	11000	8130	37280
1982	30325	11000	8460	38785
1983	30797	11000	9543	40340
1984	31814	14000	10626	42440
1985	32851	14000	11709	44560
1986	33858	14000	12792	46650
1987	34875	14000	13875	48750
1988	35887	14000	16911	52798
1989	36209	14000	18148	54357

Notes

- (1) Paid from the Consolidated Fund
- (2) Tax free element (currently under the provisions of Section 191 of the Income and Corporation taxes Act 1970 (amended by Section 4(1) of the Minister for the Civil Service Order 1971))
- (3) Paid from the House of Commons Vote
- (4) Reduced (from £6000) by the House of Commons Officers' Act 1834
- (5) Abated due to the economic climate
- (6) The same salary as a Cabinet Minister in the Commons
- (7) In 1975 Ministers and office holders chose to forego any increase in their official salaries



IT8.7/2-1993  
2009:02

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